

**CITY OF SHELDON**  
**INDEPENDENT AUDITORS' REPORTS**  
**BASIC FINANCIAL STATEMENTS**  
**SUPPLEMENTARY AND OTHER INFORMATION**  
**SCHEDULE OF FINDINGS**

**JUNE 30, 2013**

CITY OF SHELDON  
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# CITY OF SHELDON

## CITY OFFICIALS

| <u>NAME</u>          | <u>TITLE</u>                     | <u>TERM EXPIRES</u> |
|----------------------|----------------------------------|---------------------|
| Katricia Meendering  | Mayor                            | January 2014        |
| Brad Hindt           | Council Member                   | January 2016        |
| Dave Popkes          | Council Member                   | January 2014        |
| Ron Rensink          | Council Member                   | January 2016        |
| Duane Seehusen       | Council Member                   | January 2014        |
| Greg Geels           | Council Member                   | January 2016        |
| Scott Wynja          | City Manager                     |                     |
| Arlene Budden        | Clerk/Treasurer                  |                     |
| Micah Schreurs       | Attorney                         |                     |
| Skip Tanner          | Airport Commissioner             | July 2014           |
| Glen Zylstra         | Airport Commissioner             | July 2015           |
| Steve Drenkow        | Airport Commissioner             | July 2014           |
| Rob Dixon            | Airport Commissioner             | July 2015           |
| Fred Stratman        | Airport Commissioner             | July 2017           |
| Holly Hamill-Kamstra | Park and Recreation Commissioner | July 2014           |
| Jodi Radke           | Park and Recreation Commissioner | July 2015           |
| Joni Davis           | Park and Recreation Commissioner | July 2017           |
| Krissa Jacobsma      | Park and Recreation Commissioner | July 2015           |
| Mike Oldenkamp       | Park and Recreation Commissioner | July 2014           |
| Ed Stephens          | Library Trustee                  | July 2015           |
| Mildred Voss         | Library Trustee                  | July 2015           |
| Jane Cain            | Library Trustee                  | July 2016           |
| Jessica Brink        | Library Trustee                  | July 2018           |
| Joel Gustafson       | Library Trustee                  | July 2013           |
| Mike McCuddin        | Library Trustee                  | July 2017           |
| Judy Honkomp         | Library Trustee                  | July 2013           |
| Ron Plum             | Museum Trustee                   | July 2014           |
| Marlene Pape         | Museum Trustee                   | July 2013           |
| Mildred Voss         | Museum Trustee                   | July 2013           |
| Cindy Runger         | Museum Trustee                   | July 2015           |
| Donna Hoadley        | Museum Trustee                   | July 2014           |
| Mark Poyzer          | Museum Trustee                   | July 2014           |
| Leon Kleinwolterink  | Museum Trustee                   | July 2013           |
| Pete Hamill          | Recreational Trails Board        | July 2013           |
| Keith Rolston        | Recreational Trails Board        | July 2013           |
| Phil Grove           | Recreational Trails Board        | July 2013           |
| Jeanne Lichty        | Recreational Trails Board        | July 2015           |
| Jan Neel             | Recreational Trails Board        | July 2015           |
| Stan Ten Kley        | Recreational Trails Board        | July 2014           |
| Donna Brinkman       | Recreational Trails Board        | July 2014           |
| Shirley Letner       | Recreational Trails Board        | July 2014           |

## INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and  
Members of the City Council  
City of Sheldon  
Sheldon, IA 51201

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of the City of Sheldon, Iowa, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements listed in the table of contents.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 1. This includes determining the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. This includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error.

### Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting

estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of the City of Sheldon as of June 30, 2013 and the respective changes in cash basis financial position for the year then ended in accordance with the basis of accounting described in Note 1.

## **Basis of Accounting**

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

## **Other Matters**

### *Supplementary and Other Information*

Our audit was conducted for the purposes of forming opinions on the financial statements that collectively comprise the City of Sheldon's basic financial statements. The supplementary information included in Schedules 1 through 3 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The other information, included in schedules 4 through 6, has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated December 31, 2013 on our consideration of the City of Sheldon's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Sheldon's internal control over financial reporting and compliance.

*Winter, Stave & Co., LLP*

December 31, 2013

## **BASIC FINANCIAL STATEMENTS**

CITY OF SHELDON  
CASH BASIS STATEMENT OF ACTIVITIES AND NET POSITION  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2013

|   |                        |                        | Program Receipts   |
|---|------------------------|------------------------|--|
|   | Disbursements          | Charges for<br>Service | Operating Grants,<br>Contributions, and<br>Restricted Interest |
| FUNCTIONS/PROGRAMS:                       |                        |                        |  |
| Governmental activities:                  |                        |                        |  |
| Public safety .....                       | \$1,135,349            | \$ 325,081             | \$ 54,920  |
| Public works .....                        | 1,018,691              | 117,015                | 497,422  |
| Health and social services .....          | 16,500                 |                        |  |
| Culture and recreation .....              | 507,186                | 141,440                | 39,088   |
| Community and economic development .....  | 501,782                | 4,729                  | 201  |
| General government .....                  | 425,390                | 12,233                 |  |
| Debt service .....                        | 1,088,690              |                        | 666  |
| Capital projects .....                    | 1,390,607              |                        |  |
| Total governmental activities             | <u>6,084,195</u>       | <u>600,498</u>         | <u>592,297</u>   |
| Business type activities:                 |                        |                        |  |
| Water .....                               | 936,507                | 970,484                |  |
| Sewer .....                               | 695,102                | 716,800                |  |
| Total business type activities            | <u>1,631,609</u>       | <u>1,687,284</u>       |  |
| <br>TOTAL                                 | <br><u>\$7,715,804</u> | <br><u>\$2,287,782</u> | <br><u>\$ 592,297</u>  |
| General receipts and transfers:           |                        |                        |  |
| Property and other city taxes levied for: |                        |                        |  |
| General purposes .....                    |                        |                        |  |
| Debt service .....                        |                        |                        |  |
| Tax increment financing .....             |                        |                        |  |
| Local option sales tax .....              |                        |                        |  |
| Unrestricted investment earnings .....    |                        |                        |  |
| Unrestricted miscellaneous .....          |                        |                        |  |
| Sale of assets .....                      |                        |                        |  |
| Bond proceeds net of \$75,380 discount    |                        |                        |  |
| Operating transfers .....                 |                        |                        |  |
| Total general receipts and transfers      |                        |                        |  |
| CHANGE IN CASH BASIS NET POSITION         |                        |                        |  |
| CASH BASIS NET POSITION -                 |                        |                        |  |
| BEGINNING OF YEAR .....                   |                        |                        |  |
| CASH BASIS NET POSITION - END OF YEAR     |                        |                        |  |
| CASH BASIS NET POSITION:                  |                        |                        |  |
| Restricted, expendable for:               |                        |                        |  |
| Urban renewal purposes .....              |                        |                        |  |
| Community betterment .....                |                        |                        |  |
| Debt service .....                        |                        |                        |  |
| Capital projects .....                    |                        |                        |  |
| Sewer improvement and replacement ...     |                        |                        |  |
| Other purposes .....                      |                        |                        |  |
| Unrestricted .....                        |                        |                        |  |

TOTAL CASH BASIS NET POSITION

See Notes to Financial Statements



## Exhibit A

| Capital Grants,<br>Contributions, and<br>Restricted Interest | Net (Disbursements) Receipts and Changes in<br>Cash Basis Net Position |                             |                     |
|--|--|-----------------------------|---------------------|
|  | Governmental<br>Activities   | Business Type<br>Activities | Total               |
| \$ 15,810  | \$ (739,538)   |                             | \$ (739,538)        |
| 103,198  | (301,056)  |                             | (301,056)           |
|  | (16,500)   |                             | (16,500)            |
| 2,475  | (324,183)  |                             | (324,183)           |
| 151,639  | (345,213)  |                             | (345,213)           |
|  | (413,157)  |                             | (413,157)           |
|  | (1,088,024)  |                             | (1,088,024)         |
| 87,814   | (1,302,793)  |                             | (1,302,793)         |
| <u>360,936</u>   | <u>(4,530,464)</u>   |                             | <u>(4,530,464)</u>  |
|  |  | \$ 33,977                   | 33,977              |
|  |  | 21,698                      | 21,698              |
|  |  | <u>55,675</u>               | <u>55,675</u>       |
| <u>\$ 360,936</u>  | <u>(4,530,464)</u>   | <u>55,675</u>               | <u>(4,474,789)</u>  |
|  | 1,399,524  |                             | 1,399,524           |
|  | 199,775  |                             | 199,775             |
|  | 1,839,228  |                             | 1,839,228           |
|  | 534,698  |                             | 534,698             |
|  | 27,425   | 12,877                      | 40,302              |
|  | 21,262   |                             | 21,262              |
|  | 39,326   |                             | 39,326              |
|  | 5,274,620  |                             | 5,274,620           |
|  | (547,166)  | 547,166                     |                     |
|  | <u>8,788,692</u>   | <u>560,043</u>              | <u>9,348,735</u>    |
|  | 4,258,228  | 615,718                     | 4,873,946           |
|  | <u>3,476,161</u>   | <u>1,886,572</u>            | <u>5,362,733</u>    |
|  | <u>\$7,734,389</u>   | <u>\$2,502,290</u>          | <u>\$10,236,679</u> |
|  | \$1,108,780  |                             | \$ 1,108,780        |
|  | 461,356  |                             | 461,356             |
|  | 74,786   | \$ 12,193                   | 86,979              |
|  | 4,629,158  |                             | 4,629,158           |
|  |  | 172,126                     | 172,126             |
|  | 489,155  | 61,501                      | 550,656             |
|  | <u>971,154</u>   | <u>2,256,470</u>            | <u>3,227,624</u>    |
|  | <u>\$7,734,389</u>   | <u>\$2,502,290</u>          | <u>\$10,236,679</u> |

See Notes to Financial Statements

CITY OF SHELDON  
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND  
CHANGES IN CASH BALANCES  
GOVERNMENTAL FUNDS  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2013

|   | <u>General</u>    | <u>Tax Increment<br/>Financing</u> | <u>Local Option<br/>Sales Tax</u> |
|---|-------------------|------------------------------------|-----------------------------------|
| RECEIPTS:   |                   |                                    |                                   |
| Property tax .....  | \$ 916,433        |                                    |                                   |
| Tax increment financing .....                                 |                   | \$1,839,228                        |                                   |
| Other city taxes .....  | 153,366           |                                    | \$534,698                         |
| Licenses and permits .....                                    | 12,447            |                                    |                                   |
| Use of money and property .....                               | 93,182            | 7,407                              | 4,240                             |
| Intergovernmental .....                                       | 144,227           |                                    |                                   |
| Charges for service .....                                     | 395,800           |                                    |                                   |
| Special assessments .....                                     | 2,227             |                                    |                                   |
| Miscellaneous .....   | 140,533           | 2,100                              | 4,805                             |
| TOTAL RECEIPTS  | <u>1,858,215</u>  | <u>1,848,735</u>                   | <u>543,743</u>                    |
| DISBURSEMENTS:  |                   |                                    |                                   |
| Public safety .....   | 853,290           |                                    |                                   |
| Public works .....  | 239,965           |                                    |                                   |
| Health and social services .....                              | 16,500            |                                    |                                   |
| Culture and recreation .....                                  | 438,881           |                                    |                                   |
| Community and economic development .....                      | 145,564           | 149,434                            | 25,000                            |
| General government .....                                      | 280,438           |                                    | 119,350                           |
| Debt service .....  |                   | 334,025                            | 147,322                           |
| Capital projects .....  |                   | 10,000                             | 44,350                            |
| TOTAL DISBURSEMENTS   | <u>1,974,638</u>  | <u>493,459</u>                     | <u>336,022</u>                    |
| EXCESS (DEFICIENCY) OF RECEIPTS<br>OVER (UNDER) DISBURSEMENTS | <u>(116,423)</u>  | <u>1,355,276</u>                   | <u>207,721</u>                    |
| OTHER FINANCING SOURCES:                                      |                   |                                    |                                   |
| Operating transfers in .....                                  | 146,500           |                                    |                                   |
| Operating transfers out .....                                 | (40,289)          | (517,230)                          | (159,166)                         |
| Bond proceeds net of \$75,380 discount .....                  |                   |                                    |                                   |
| Proceeds - sale of assets .....                               |                   |                                    |                                   |
| TOTAL OTHER FINANCING SOURCES (USES)                          | <u>106,211</u>    | <u>(517,230)</u>                   | <u>(159,166)</u>                  |
| NET CHANGE IN CASH BALANCES                                   | (10,212)          | 838,046                            | 48,555                            |
| CASH BALANCES - BEGINNING OF YEAR .....                       | <u>766,216</u>    | <u>270,734</u>                     | <u>412,801</u>                    |
| CASH BALANCES - END OF YEAR                                   | <u>\$ 756,004</u> | <u>\$1,108,780</u>                 | <u>\$ 461,356</u>                 |

## Exhibit B

| Road Use<br>Tax   | Debt<br>Service  | Capital<br>Projects | Total Nonmajor<br>Governmental<br>Funds | Total              |
|-------------------|------------------|---------------------|---|--------------------|
|                   | \$ 195,807       |                     | \$ 319,808                              | \$1,432,048        |
|                   | 3,968            |                     | 9,917                                   | 1,839,228          |
|                   | 666              | \$ 10,981           | 1,016                                   | 701,949            |
| \$ 496,833        |                  | 64,505              | 148,776                                 | 12,447             |
|                   |                  |                     |   | 117,492            |
|                   |                  |                     |   | 854,341            |
|                   |                  |                     |   | 395,800            |
|                   |                  |                     |   | 2,227              |
|                   |                  | 21,081              |   | 168,519            |
| <u>496,833</u>    | <u>200,441</u>   | <u>96,567</u>       | <u>479,517</u>                          | <u>5,524,051</u>   |
|                   |                  |                     | 275,371                                 | 1,128,661          |
| 624,548           |                  |                     | 148,997                                 | 1,013,510          |
|                   |                  |                     |   | 16,500             |
|                   |                  |                     | 64,652                                  | 503,533            |
|                   |                  |                     | 181,784                                 | 501,782            |
|                   |                  |                     | 23,307                                  | 423,095            |
|                   | 607,343          |                     |   | 1,088,690          |
|                   |                  | 1,336,257           |   | 1,390,607          |
| <u>624,548</u>    | <u>607,343</u>   | <u>1,336,257</u>    | <u>694,111</u>                          | <u>6,066,378</u>   |
| <u>(127,715)</u>  | <u>(406,902)</u> | <u>(1,239,690)</u>  | <u>(214,594)</u>                        | <u>(542,327)</u>   |
| 265,000           | 458,658          | 4,435,931           | 164,027                                 | 5,470,116          |
| (6,166)           | (5,252,431)      |                     |   | (5,975,282)        |
|                   | 5,274,620        |                     |   | 5,274,620          |
|                   |                  | 39,326              |   | 39,326             |
| <u>258,834</u>    | <u>480,847</u>   | <u>4,475,257</u>    | <u>164,027</u>                          | <u>4,808,780</u>   |
| 131,119           | 73,945           | 3,235,567           | (50,567)                                | 4,266,453          |
| <u>180,952</u>    | <u>841</u>       | <u>1,393,591</u>    | <u>206,775</u>                          | <u>3,231,910</u>   |
| <u>\$ 312,071</u> | <u>\$ 74,786</u> | <u>\$4,629,158</u>  | <u>\$ 156,208</u>                       | <u>\$7,498,363</u> |

CITY OF SHELDON  
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND  
CHANGES IN CASH BALANCES  
GOVERNMENTAL FUNDS - Continued  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2013

|  | <u>General</u>   | Tax Increment<br><u>Financing</u> | Local Option<br><u>Sales Tax</u> |
|--|------------------|-----------------------------------|----------------------------------|
| CASH BASIS FUND BALANCES:                |                  |                                   |                                  |
| Restricted for:                          |                  |                                   |                                  |
| Urban renewal purposes .....             |                  | \$1,108,780                       |                                  |
| Community betterment .....               |                  |                                   | \$461,356                        |
| Debt service .....                       |                  |                                   |                                  |
| Capital projects .....                   |                  |                                   |                                  |
| Community and economic development ..... |                  |                                   |                                  |
| Employee benefits .....                  |                  |                                   |                                  |
| Streets .....                            |                  |                                   |                                  |
| Police purposes .....                    |                  |                                   |                                  |
| Committed for:                           |                  |                                   |                                  |
| Library purposes .....                   | \$ 27,482        |                                   |                                  |
| Airport purposes .....                   | 193,194          |                                   |                                  |
| Park purposes .....                      | 37,775           |                                   |                                  |
| Museum purposes .....                    | 87,949           |                                   |                                  |
| Assigned for:                            |                  |                                   |                                  |
| Equipment purchases .....                | 34,146           |                                   |                                  |
| Public safety purposes .....             | 287,206          |                                   |                                  |
| Recreation trails maintenance .....      | 69,069           |                                   |                                  |
| Cemetery purposes .....                  | 5,000            |                                   |                                  |
| Unassigned .....                         | <u>14,183</u>    |                                   |                                  |
| TOTAL CASH BASIS FUND BALANCES           | <u>\$756,004</u> | <u>\$1,108,780</u>                | <u>\$461,356</u>                 |

## Exhibit B

| <u>Road Use<br/>Tax</u> | <u>Debt<br/>Service</u> | <u>Capital<br/>Projects</u> | <u>Total Nonmajor<br/>Governmental<br/>Funds</u> | <u>Total</u>       |
|-------------------------|-------------------------|-----------------------------|--|--------------------|
|                         |                         |                             |  | \$1,108,780        |
|                         |                         |                             |  | 461,356            |
|                         | \$ 74,786               |                             |  | 74,786             |
|                         |                         | \$4,629,158                 |  | 4,629,158          |
|                         |                         |                             | \$118,173  | 118,173            |
|                         |                         |                             | 55,705   | 55,705             |
| \$312,071               |                         |                             |  | 312,071            |
|                         |                         |                             | 3,206  | 3,206              |
|                         |                         |                             |  | 27,482             |
|                         |                         |                             |  | 193,194            |
|                         |                         |                             |  | 37,775             |
|                         |                         |                             |  | 87,949             |
|                         |                         |                             |  | 34,146             |
|                         |                         |                             |  | 287,206            |
|                         |                         |                             |  | 69,069             |
|                         |                         |                             |  | 5,000              |
|                         |                         |                             | (20,876)   | (6,693)            |
| <u>\$312,071</u>        | <u>\$ 74,786</u>        | <u>\$4,629,158</u>          | <u>\$156,208</u>                                 | <u>\$7,498,363</u> |

CITY OF SHELDON  
 RECONCILIATION OF THE STATEMENT OF CASH RECEIPTS, DISBURSEMENTS,  
 AND CHANGES IN CASH BALANCES TO THE CASH BASIS STATEMENT OF  
 ACTIVITIES AND NET POSITION - GOVERNMENTAL FUNDS  
 AS OF AND FOR THE YEAR ENDED JUNE 30, 2013

TOTAL GOVERNMENTAL FUNDS CASH BALANCES PER EXHIBIT B ..... \$7,498,363

AMOUNTS REPORTED FOR GOVERNMENTAL ACTIVITIES IN THE  
 CASH BASIS STATEMENT OF ACTIVITIES AND NET POSITION ARE  
 DIFFERENT BECAUSE:

The internal service fund is used by the City to charge the cost of partial self  
 funding the City's health insurance benefit plan to the individual funds. A  
 portion of the cash balance of the internal service fund is included in  
 governmental activities in the Cash Basis Statement of Activities and  
 Net Position. ....

236,026

CASH BASIS NET POSITION OF GOVERNMENTAL  
 ACTIVITIES PER EXHIBIT A

\$7,734,389

NET CHANGE IN CASH BALANCES PER EXHIBIT B ..... \$4,266,453

AMOUNTS REPORTED FOR GOVERNMENTAL ACTIVITIES IN THE  
 CASH BASIS STATEMENT OF ACTIVITIES AND NET POSITION ARE  
 DIFFERENT BECAUSE:

The internal service fund is used by the City to charge the cost of partial self  
 funding the City's health insurance benefit plan to the individual funds. A  
 portion of the change in the cash balance of the internal service fund is  
 reported with governmental activities in the Cash Basis Statement of Activities  
 and Net Position. ....

(8,225)

CHANGE IN CASH BASIS NET POSITION OF GOVERNMENTAL  
 ACTIVITIES PER EXHIBIT A

\$4,258,228

CITY OF SHELDON  
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND  
CHANGES IN CASH BALANCES - PROPRIETARY FUNDS  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2013

|  | <u>Enterprise Funds</u> |                  |                    | <u>Internal<br/>Service</u> |
|--|-------------------------|------------------|--------------------|-----------------------------|
|  | <u>Water</u>            | <u>Sewer</u>     | <u>Total</u>       | <u>Self-Insurance</u>       |
| OPERATING RECEIPTS:  |                         |                  |                    |                             |
| Charges for services .....                                   | \$ 924,587              | \$695,396        | \$1,619,983        |                             |
| Reimbursements from operating funds ..                       |                         |                  |                    | \$468,960                   |
| Reimbursements from employees<br>and insurance.....          |                         |                  |                    | 87,695                      |
| Miscellaneous .....  | <u>26,604</u>           | <u>2,112</u>     | <u>28,716</u>      |                             |
| TOTAL OPERATING RECEIPTS                                     | <u>951,191</u>          | <u>697,508</u>   | <u>1,648,699</u>   | <u>556,655</u>              |
| OPERATING DISBURSEMENTS:                                     |                         |                  |                    |                             |
| Business type activities:                                    |                         |                  |                    |                             |
| Cost of sales and services .....                             | 703,645                 | 564,082          | 1,267,727          |                             |
| Insurance charges and claims .....                           |                         |                  |                    | <u>497,287</u>              |
| TOTAL OPERATING<br>DISBURSEMENTS                             | <u>703,645</u>          | <u>564,082</u>   | <u>1,267,727</u>   | <u>497,287</u>              |
| EXCESS OF OPERATING RECEIPTS<br>OVER OPERATING DISBURSEMENTS | <u>247,546</u>          | <u>133,426</u>   | <u>380,972</u>     | <u>59,368</u>               |
| NON-OPERATING RECEIPTS<br>(DISBURSEMENTS):                   |                         |                  |                    |                             |
| Interest on investments .....                                | 9,091                   | 1,835            | 10,926             | 4,433                       |
| Purchase of capital assets .....                             | (80,217)                | (70,855)         | (151,072)          |                             |
| Debt service payments:                                       |                         |                  |                    |                             |
| Revenue note principal .....                                 | (113,584)               | (43,000)         | (156,584)          |                             |
| Revenue note interest .....                                  | <u>(33,806)</u>         | <u>(11,910)</u>  | <u>(45,716)</u>    |                             |
| TOTAL NON-OPERATING<br>RECEIPTS (DISBURSEMENTS)              | <u>(218,516)</u>        | <u>(123,930)</u> | <u>(342,446)</u>   | <u>4,433</u>                |
| EXCESS OF RECEIPTS OVER<br>DISBURSEMENTS                     | 29,030                  | 9,496            | 38,526             | 63,801                      |
| OPERATING TRANSFERS IN .....                                 | 475,000                 | 151,500          | 626,500            |                             |
| OPERATING TRANSFERS OUT .....                                | <u>(23,167)</u>         | <u>(23,167)</u>  | <u>(46,334)</u>    | <u>(75,000)</u>             |
| NET CHANGE IN CASH BALANCES                                  | 480,863                 | 137,829          | 618,692            | (11,199)                    |
| CASH BALANCES - BEGINNING OF YEAR                            | <u>1,209,737</u>        | <u>448,258</u>   | <u>1,657,995</u>   | <u>472,828</u>              |
| CASH BALANCES - END OF YEAR                                  | <u>\$1,690,600</u>      | <u>\$586,087</u> | <u>\$2,276,687</u> | <u>\$461,629</u>            |

CITY OF SHELDON  
 STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND  
 CHANGES IN CASH BALANCES - PROPRIETARY FUNDS - Continued  
 AS OF AND FOR THE YEAR ENDED JUNE 30, 2013

|                                    | <u>Enterprise Funds</u> |                      |                        | <u>Internal<br/>Service</u> |
|------------------------------------|-------------------------|----------------------|------------------------|-----------------------------|
|                                    | <u>Water</u>            | <u>Sewer</u>         | <u>Total</u>           | <u>Self-Insurance</u>       |
| CASH BASIS FUND BALANCES:          |                         |                      |                        |                             |
| Restricted, expendable for:        |                         |                      |                        |                             |
| Revenue note retirement .....      |                         | \$ 12,193            | \$ 12,193              |                             |
| Sewer improvement .....            |                         | 90,000               | 90,000                 |                             |
| Sewer replacement .....            |                         | 82,126               | 82,126                 |                             |
| Water deposits .....               | \$ 61,501               |                      | 61,501                 |                             |
| Unrestricted .....                 | <u>1,629,099</u>        | <u>401,768</u>       | <u>2,030,867</u>       | <u>\$461,629</u>            |
| <br>TOTAL CASH BASIS FUND BALANCES | <br><u>\$1,690,600</u>  | <br><u>\$586,087</u> | <br><u>\$2,276,687</u> | <br><u>\$461,629</u>        |



CITY OF SHELDON  
 RECONCILIATION OF THE STATEMENT OF CASH RECEIPTS, DISBURSEMENTS,  
 AND CHANGES IN CASH BALANCES TO THE CASH BASIS STATEMENT OF  
 ACTIVITIES AND NET POSITION - ENTERPRISE FUNDS  
 AS OF AND FOR THE YEAR ENDED JUNE 30, 2013

|  |             |
|--|-------------|
| TOTAL ENTERPRISE FUNDS CASH BALANCES PER EXHIBIT D ..... | \$2,276,687 |
|--|-------------|

AMOUNTS REPORTED FOR BUSINESS TYPE ACTIVITIES IN THE  
 CASH BASIS STATEMENT OF ACTIVITIES AND NET POSITION ARE  
 DIFFERENT BECAUSE:

The internal service fund is used by the City to charge the cost of partial self  
 funding the City's health insurance benefit plan to the individual funds. A  
 portion of the cash balance of the internal service fund is included in  
 business type activities in the Cash Basis Statement of Activities and  
 Net Position. ....

225,603

|  |                    |
|--|--------------------|
| CASH BASIS NET POSITION OF BUSINESS TYPE ACTIVITIES<br>PER EXHIBIT A | <u>\$2,502,290</u> |
|--|--------------------|

|   |            |
|---|------------|
| NET CHANGE IN CASH BALANCES - ENTERPRISE FUNDS PER EXHIBIT D .. | \$ 618,692 |
|---|------------|

AMOUNTS REPORTED FOR BUSINESS TYPE ACTIVITIES IN THE  
 CASH BASIS STATEMENT OF ACTIVITIES AND NET POSITION ARE  
 DIFFERENT BECAUSE:

The internal service fund is used by the City to charge the cost of partial self  
 funding the City's health insurance benefit plan to the individual funds. A  
 portion of the change in the cash balance of the internal service fund is  
 reported with business type activities in the Cash Basis Statement of  
 Activities and Net Position. ....

(2,974)

|  |                   |
|--|-------------------|
| CHANGE IN CASH BASIS NET POSITION OF BUSINESS TYPE ACTIVITIES<br>PER EXHIBIT A | <u>\$ 615,718</u> |
|--|-------------------|

CITY OF SHELDON  
 STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND  
 CHANGES IN CASH BALANCES - FIDUCIARY FUND  
 AS OF AND FOR THE YEAR ENDED JUNE 30, 2013

|  | Agency<br>Cafeteria<br><u>Plan</u> |
|--|------------------------------------|
| CASH BALANCE - BEGINNING OF YEAR ..... | \$ (72)                            |
| RECEIPTS:                              |                                    |
| Contributions .....                    | 13,312                             |
| DISBURSEMENTS:                         |                                    |
| Cafeteria plan benefits paid .....     | <u>(13,248)</u>                    |
| CASH BALANCE - END OF YEAR             | <u><u>\$ (8)</u></u>               |

CITY OF SHELDON  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The City of Sheldon is a political subdivision of the State of Iowa located in O'Brien and Sioux Counties. It was first incorporated in 1876 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council-Manager form of government with the Mayor and Council Members elected on a non-partisan basis. The City of Sheldon provides numerous services to citizens including public safety, public works, health and social services, culture and recreation, community and economic development, and general government services. It also provides water and sewer utilities services for its citizens.

**A. Reporting Entity**

For financial reporting purposes, the City has included all funds, organizations, account groups, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City. It was determined that the City has no component units which meet the Governmental Accounting Standards Board's criteria.

The City also participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments.

**B. Basis of Presentation**

Government-wide Financial Statement - The Cash Basis Statement of Activities and Net Position reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for services.

The Cash Basis Statement of Activities and Net Position presents the City's nonfiduciary net position. Net position is reported in two categories:

*Expendable restricted net position* results when constraints placed on the use of cash balances are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net position* consists of cash balances that do not meet the definition of the preceding category. Unrestricted net position often has constraints on cash balances imposed by management, which can be removed or modified.

The Cash Basis Statement of Activities and Net Position demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and (2) grants, contributions, and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary funds, and fiduciary funds even though the latter are excluded from the government-wide statements. Major individual governmental and proprietary funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The City reports the following major governmental funds:

*The General Fund* is the general operating fund of the City. All general tax receipts and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges, and the capital improvement costs not paid from other funds.

*Special Revenue:*

*The Tax Increment Financing Fund* is used to account for receipts from the tax authorized by ordinance in the urban renewal district and used to pay the principal and interest on the general obligation capital loan notes and other indebtedness incurred for urban renewal redevelopment projects.

*The Local Option Sales Tax Fund* is used to account for the receipts from the tax authorized by referendum and used for property tax relief and community betterment.

*The Road Use Tax Fund* is used to account for road use tax allocation from the State of Iowa to be used for road construction and maintenance.

*The Debt Service Fund* is used to account for property tax and other receipts to be used for the payment of interest and principal on the City's general long-term debt.

*The Capital Projects Fund* is used to account for all resources used in the acquisition and construction of capital facilities.

The City reports the following major proprietary funds:

*Enterprise:*

*The Water Fund* is used to account for the operation and maintenance of the City's water system.

*The Sewer Fund* is used to account for the operation and maintenance of the City's wastewater treatment and sanitary sewer system.

Additionally, the City reports the following funds:

*Proprietary Fund* - An Internal Service Fund is utilized to account for the financing of goods or services purchased by one department of the City and provided to other departments or agencies on a cost reimbursement basis.

*Fiduciary Fund* - Agency Fund is used to account for assets held by the City as an agent for individuals.

### **C. Measurement Focus and Basis of Accounting**

The City of Sheldon maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there are both restricted and unrestricted cash basis net position available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general receipts.

When a disbursement in governmental funds can be paid using either restricted or unrestricted resources, the City's policy is generally to first apply the disbursement toward restricted fund balance and then to less-restrictive classifications - committed, assigned and then unassigned fund balances.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

### **D. Governmental Cash Basis Fund Balances**

In the governmental fund financial statements, cash basis fund balances are classified as follows:

Restricted - Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors, or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Committed - Amounts which can be used only for specific purposes pursuant to constraints formally imposed by the City Council through ordinance or resolution approved prior to year end. Those committed amounts cannot be used for any other purposes unless the City Council removes or changes the specified use by taking the same action it employed to commit those amounts.

Assigned - Amounts the Council intends to use for specific purposes.

Unassigned - All amounts not included in other spendable classifications.

## **E. Budgets and Budgetary Accounting**

The budgetary comparison and related disclosures are reported as Other Information.

## **F. Subsequent Events**

Subsequent events were evaluated by management for disclosure up to the date of the auditors' report, which is the date the financial statements were available to be issued.

## **2. CASH AND INVESTMENTS**

The City's demand deposits, savings accounts, and certificates of deposit at June 30, 2013 were entirely covered by Federal depository insurance or by a multiple financial institution collateral pool in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the members of the pool to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The City's cash and investments consisted of the following at June 30, 2013:

|  |    |                     |
|--|----|---------------------|
| Cash on hand .....                             | \$ | 160                 |
| Demand deposits .....                          |    | 87,066              |
| Certificates of deposit/savings accounts ..... |    | <u>10,149,445</u>   |
|  |    | <u>\$10,236,671</u> |

Interest rate risk - The City's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and use of the City.

### 3. BONDS AND NOTES PAYABLE

Annual debt service requirements to maturity for the City's long-term debt are as follows:

| Governmental Activities |                                   |                  |                                |                  |   |                  |
|-------------------------|-----------------------------------|------------------|--------------------------------|------------------|---|------------------|
| Year Ending<br>June 30, | General Obligation<br>Bonds/Notes |                  | Sales and Service<br>Tax Bonds |                  | Tax Increment<br>Financing<br>Revenue Bonds |                  |
|                         | Principal                         | Interest         | Principal                      | Interest         | Principal                                   | Interest         |
| 2014                    | \$ 585,000                        | \$180,907        | \$135,000                      | \$ 11,623        | \$ 245,000                                  | \$ 88,772        |
| 2015                    | 970,000                           | 168,060          | 140,000                        | 6,020            | 255,000                                     | 78,360           |
| 2016                    | 985,000                           | 151,765          |                                |                  | 265,000                                     | 67,268           |
| 2017                    | 1,010,000                         | 132,658          |                                |                  | 280,000                                     | 55,475           |
| 2018                    | 1,030,000                         | 110,930          |                                |                  | 290,000                                     | 42,875           |
| 2019-2023               | 3,880,000                         | 245,654          |                                |                  | 625,000                                     | 44,735           |
| 2024                    | 465,000                           | 8,835            |                                |                  |   |                  |
| Total                   | <u>\$8,925,000</u>                | <u>\$998,809</u> | <u>\$275,000</u>               | <u>\$ 17,643</u> | <u>\$1,960,000</u>                          | <u>\$377,485</u> |

| Year Ending<br>June 30, | USDA Airport Loan |                  | Total               |                    |
|-------------------------|-------------------|------------------|---------------------|--------------------|
|                         | Principal         | Interest         | Principal           | Interest           |
| 2014                    | \$ 22,377         | \$ 10,051        | \$ 987,377          | \$ 291,353         |
| 2015                    | 23,440            | 8,988            | 1,388,440           | 261,428            |
| 2016                    | 24,553            | 7,875            | 1,274,553           | 226,908            |
| 2017                    | 25,720            | 6,708            | 1,315,720           | 194,841            |
| 2018                    | 26,941            | 5,487            | 1,346,941           | 159,292            |
| 2019-2023               | 88,567            | 8,535            | 4,593,567           | 298,924            |
| 2024                    |                   |                  | 465,000             | 8,835              |
| Total                   | <u>\$ 211,598</u> | <u>\$ 47,644</u> | <u>\$11,371,598</u> | <u>\$1,441,581</u> |

#### Revenue Notes

| Year Ending<br>June 30, | Sewer Revenue<br>Capital Loan Notes |                  | Water Revenue<br>Capital Loan Notes |                  | Total Revenue Notes |                  |
|-------------------------|-------------------------------------|------------------|-------------------------------------|------------------|---------------------|------------------|
|                         | Principal                           | Interest         | Principal                           | Interest         | Principal           | Interest         |
| 2014                    | \$ 45,000                           | \$ 10,620        | \$ 118,754                          | \$ 30,969        | \$ 163,754          | \$ 41,589        |
| 2015                    | 47,000                              | 9,270            | 124,266                             | 28,002           | 171,266             | 37,272           |
| 2016                    | 49,000                              | 7,860            | 129,963                             | 24,897           | 178,963             | 32,757           |
| 2017                    | 50,000                              | 6,390            | 136,138                             | 21,650           | 186,138             | 28,040           |
| 2018                    | 52,000                              | 4,890            | 142,390                             | 18,249           | 194,390             | 23,139           |
| 2019-2022               | 111,000                             | 5,040            | 631,605                             | 35,805           | 742,605             | 40,845           |
| Total                   | <u>\$ 354,000</u>                   | <u>\$ 44,070</u> | <u>\$1,283,116</u>                  | <u>\$159,572</u> | <u>\$1,637,116</u>  | <u>\$203,642</u> |

### **General Obligation Bonds/Notes**

The City's total general obligation bonds/notes at June 30, 2013 were \$8,925,000.

### **Sales and Service Tax Bonds**

On October 3, 1995, the residents of the City approved a local option sales tax at the rate of 1%. The revenues must be applied 37.5% for property tax relief and 62.5% for community betterment. The City has issued sales and service tax bonds to defray the cost of the Community Services Center project in accordance with Chapter 422B. The bonds are payable from 62.5% of the local option sales tax collected. If the 62.5% is insufficient to pay the bonds and interest, the shortfall may be paid from debt service. Therefore, the bonds are a general obligation of the City.

### **Tax Increment Financing Revenue Bonds**

The City issued \$3,045,000 of urban renewal revenue annual appropriation capital loan notes in October 2007 for the purpose of defraying a portion of the costs of an aquatic center within the urban renewal district. The bonds are payable solely from the tax increment financing (TIF) receipts generated by increased property values in the City's TIF district and credited to the Special Revenue, Urban Renewal Tax Increment Fund in accordance with Chapter 403.19 of the Code of Iowa. TIF receipts are generally projected to produce 100 percent of the debt service requirements over the life of the bonds. The proceeds of the urban renewal tax increment financing revenue bonds shall be expended only for purposes which are consistent with the plans of the City's urban renewal area. The bonds are not a general obligation of the City. The bonds are subject at all times to non-appropriation by the City Council. Therefore, only the principal and interest appropriated by the Council is subject to the constitutional debt limit of the City. The amount appropriated for the fiscal year ending June 30, 2014 is \$333,772 including principal and interest. For the current year, principal and interest paid and TIF receipts were \$333,525 and \$1,839,228, respectively.

Under the terms of the bonds, the City is required to hold 10% of the bond proceeds in a reserve fund. The balance in this fund, including interest, is \$336,022 at June 30, 2013. This fund is included in the tax increment financing fund.

### **Revenue Notes**

The City has pledged future wastewater customer receipts, net of specific operating disbursements, to repay the \$814,000 sewer revenue capital loan notes issued in September 1999. Proceeds from the notes provided financing for the construction of wastewater improvements. The notes are payable solely from wastewater customer net receipts and are payable through 2020. Annual principal and interest payments are expected to require less than 42% of net revenues. The total principal and interest payments remaining to be paid on the notes are \$398,070. For the current year, principal and interest paid and total customer net receipts were \$54,910 and \$133,426, respectively.

The resolution providing for the issuance of the sewer revenue capital loan notes include the following provisions:

- (A) The notes will only be redeemed from the future earnings of the enterprise activity and the note holder holds a lien on the future earnings of the funds.
- (B) Sufficient monthly transfers shall be made into a separate sewer revenue sinking account for the purpose of making the principal and interest payments when due.



- (C) Additional monthly transfers shall be made to a separate sewer reserve account until a specific minimum balance has been accumulated. This account is restricted for the purpose of paying principal and interest payments when insufficient money is available in the sinking account.
- (D) Additional monthly transfers of \$2,500 to a sewer improvement account shall be made until a balance of \$90,000 has been accumulated. This account is restricted for the purpose of paying principal and interest payments when insufficient money is available in the sinking and reserve accounts and to pay the cost of extraordinary maintenance expenses or repairs, renewals and replacements not included in the annual budget and for capital improvements to the systems.
- (E) User rates shall be established at a level which produces and maintains net receipts at a level not less than 110% of the amount of principal and interest on the notes falling due in the same year.

During the year ended June 30, 2013, the City was in compliance with all the sewer revenue notes provisions.

The City has also pledged future water customer receipts, net of specific operating expenses, to repay the \$1,900,000 water revenue capital loan notes issued in March 2007. Proceeds from the notes provided financing for the prepayment of the City's obligation to Lewis and Clark Regional Water System. The notes are payable solely from water customer net receipts and are payable through 2022. Annual principal and interest payments are expected to require less than 60% of net revenues. The total principal and interest payments remaining to be paid on the notes are \$1,442,688. For the current year, principal and interest paid and total customer net receipts were \$147,390 and \$247,546, respectively.

The notes were purchased by a local bank in participation with three other local banks.

The resolution providing for the issuance of the water revenue capital loan notes include the following provisions:

- (A) The notes will only be redeemed from the future earnings of the enterprise activity and the note holder holds a lien on the future earnings of the funds.
- (B) Sufficient monthly transfers shall be made into a separate water revenue sinking account for the purpose of making the principal and interest payments when due.
- (C) Additional monthly transfers shall be made to a separate water reserve account until a specific minimum balance has been accumulated. This account is restricted for the purpose of paying principal and interest payments when insufficient money is available in the sinking account.
- (D) User rates shall be established at a level which produces and maintains net revenues at a level not less than 125% of the amount of principal and interest on the notes falling due in the same year.

The purchaser of the notes has waived provisions (B) and (C). The City was in compliance with the other water revenue notes provisions during the year ended June 30, 2013.

**Airport Loan**

This loan was made through the United States Department of Agriculture for improvements at the City's airport. The loan has an unpaid balance of \$211,598 as of June 30, 2013, which will be paid from the general fund. The notes call for annual payments of \$32,428 including interest at 4.75%.

**4. DUE FROM SHELDON CHAMBER AND DEVELOPMENT CORPORATION**

The City has granted the Sheldon Community and Development Corporation (SCDC) land and also financed SCDC's purchase of land. The land is being held for development and resale. The SCDC has agreed to pay a portion of the sales price back to the City as the land is sold.

## 5. INTERFUND TRANSFERS

The detail of interfund transfers for the year ended June 30, 2013 is as follows:

| <u>Transfer to</u>        | <u>Transfer from</u>    | <u>Amount</u>      | <u>Purpose</u>  |
|---------------------------|-------------------------|--------------------|---|
| General                   | Special Revenue:        |                    |   |
|                           | Local option sales tax  | \$ 63,000          | Street lighting, boiler repair and<br>and park and recreation |
|                           | Road use tax            | 6,166              | Mosquito control  |
|                           | Debt service            | 31,000             | Bond rating costs and park<br>improvements                    |
|                           | Proprietary:            |                    |   |
|                           | Enterprise:             |                    |   |
|                           | Water                   | 23,167             | Mosquito control and street lighting                          |
|                           | Sewer                   | <u>23,167</u>      | Mosquito control and street lighting                          |
|                           |                         | <u>146,500</u>     |   |
| Debt Service              | General fund            | 32,428             | Principal and interest payments                               |
|                           | Special revenue:        |                    |   |
|                           | Tax increment financing | <u>426,230</u>     | Principal and interest payments                               |
|                           |                         | <u>458,658</u>     |   |
| Capital Projects          | Debt service            | 4,329,931          | Bond proceeds   |
|                           | Special revenue:        |                    |   |
|                           | Tax increment financing | 91,000             | Certified TIF expenditures                                    |
|                           | Local option sales tax  | <u>15,000</u>      | Trails project  |
|                           |                         | <u>4,435,931</u>   |   |
| Special Revenue:          | Special revenue:        |                    |   |
| Employee benefits         | Local option sales tax  | 81,166             | Property tax relief   |
|                           | Proprietary:            |                    |   |
|                           | Internal service:       |                    |   |
|                           | Self insurance          | <u>75,000</u>      | Property tax relief   |
|                           |                         | <u>156,166</u>     |   |
| Road use tax              | Debt service            | <u>265,000</u>     | Bond proceeds   |
| FEMA                      | General fund            | <u>7,861</u>       | City share of siren   |
| Proprietary:              |                         |                    |   |
| Enterprise:               |                         |                    |   |
| Water                     | Debt service            | <u>475,000</u>     | Bond proceeds   |
| Sewer                     | Debt service            | <u>151,500</u>     | Bond proceeds   |
| TOTAL OPERATING TRANSFERS |                         | <u>\$6,096,616</u> |   |

## 6. PENSION AND RETIREMENT BENEFITS

The City contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, PO Box 9117, Des Moines, IA 50306-9117.

Most regular plan members are required to contribute 5.78% of their annual covered salary and the City is required to contribute 8.67% of annual covered salaries. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by State statute. The City's contributions to IPERS for the years ended June 30, 2013, 2012, and 2011 were \$129,105, \$118,040, and \$103,234, respectively, equal to the required contributions for each year.

## 7. OTHER POSTEMPLOYMENT BENEFITS (OPEB)

### Plan Description

The City operates a single-employer retiree benefit plan which provides medical/prescription drug benefits to active and retired employees and their eligible dependents. There are 26 active and no retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a self-insured plan. Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees.

### Funding Policy

The contribution requirements of plan members are established and may be amended by the City. The City currently finances the retiree benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums for the city and plan members are \$604 for single coverage and \$1,578 for family coverage. The same monthly premiums apply to retirees. For the year ended June 30, 2013, the City contributed \$468,960 and plan members eligible for benefits contributed \$7,597 to the plan.

## 8. COMPENSATED ABSENCES

City employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, retirement, or death. In addition, employees over age 55 have accumulated earned but unused sick pay which is payable upon retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned compensated absences payable to employees at June 30, 2013 is as follows:

### Governmental activities:

|                               |               |
|-------------------------------|---------------|
| General fund .....            | \$ 74,508     |
| Special revenue:              |               |
| Road use tax .....            | <u>20,256</u> |
| Total governmental activities | <u>94,764</u> |

### Business type activities:

|                                |               |
|--------------------------------|---------------|
| Proprietary:                   |               |
| Enterprise:                    |               |
| Water .....                    | 25,787        |
| Sewer .....                    | <u>19,904</u> |
| Total business type activities | <u>45,691</u> |

|       |                  |
|-------|------------------|
| TOTAL | <u>\$140,455</u> |
|-------|------------------|

## 9. HEALTH CARE FACILITY REVENUE BONDS AND HOUSING REVENUE NOTES

The City has issued a total of \$11,880,000 of Health Care Facility Revenue Bonds and Housing Revenue Notes under the provisions of Chapter 419 of the Code of Iowa, of which \$5,712,655 is outstanding at June 30, 2013. The bonds and related interest are payable solely from the rents payable by tenants of the properties constructed, and the bond principal and interest do not constitute liabilities of the City.

## 10. RELATED PARTY TRANSACTIONS

The City has business transactions between the City and City officials, totaling \$126,112 during the year ended June 30, 2013. See item 13-II-D in the Schedule of Findings.

## 11. CONTRACT AND OTHER COMMITMENTS

The City has entered into construction contracts for various projects. A summary of the contracts is as follows:

|                                |                    |
|--------------------------------|--------------------|
| Contract total .....           | \$4,810,438        |
| Paid as of June 30, 2013 ..... | <u>77,964</u>      |
| Balance to complete            | <u>\$4,732,474</u> |

The City has also entered into several tax increment financing rebate agreements with local businesses. The City has agreed to rebate the taxes paid by the business over a period of years. The City will expense the rebates as the taxes are collected and returned to the businesses.

## 12. SUBSEQUENT EVENTS

Subsequent to June 30, 2013, the City entered into various construction projects that totaled \$2,354,565.

## 13. RISK MANAGEMENT

The City is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 679 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine, and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of

any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained at a level determined by the Board not to exceed 300 percent of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses and reinsurance premiums, all of which are due and payable in the current year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The City's property and casualty contributions to the risk pool are recorded as disbursements from its operating funds at the time of payment to the risk pool. The City's annual contributions to the Pool for the year ended June 30, 2013 were \$115,195.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured in an amount not to exceed \$2,650,000 per claim. For members requiring specific coverage from \$3,000,000 to \$15,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to \$250,000 each occurrence, each location, with excess coverage reinsured by The Lexington Insurance Company.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event that a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. As of June 30, 2013, settled claims have not exceeded the risk pool or reinsurance coverage since the Pool's inception.

Members agree to continue membership in the pool for a period of not less than one full year. After such period, a member who has given 60 days' prior written notice may withdraw from the Pool. Upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Members withdrawing within the first six years of membership may receive a partial refund of their casualty capital contributions. If a member withdraws after the sixth year, the member is refunded 100 percent of its casualty capital contributions. However, the refund is reduced by the amount of capital distributions previously received by the withdrawing member and an amount equal to the annual casualty operating contribution which the withdrawing member would have made for the one-year period following withdrawal.

The City has established a self-insurance health insurance fund (an internal service fund) to account for group insurance risks. The City's plan has established a specific stop-loss amount of \$20,000 and an aggregate stop-loss of 125% of expected claims for the year. The City purchases commercial insurance for claims in excess of coverage provided.

The City has workmen's compensation coverage through the Iowa Municipalities Workers' Compensation Association. In addition, the City purchases employee blanket bond coverage from other insurers. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

#### **14. COLLECTIVE BARGAINING AGREEMENT**

All employees, except for the office personnel and management, are covered by collective bargaining agreements which expire June 30, 2014.

## **SUPPLEMENTARY INFORMATION**



CITY OF SHELDON  
COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
CHANGES IN CASH BALANCES  
ALL NONMAJOR GOVERNMENTAL FUNDS  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2013

|   | Special Revenue Funds |                      |                  |
|---|-----------------------|----------------------|------------------|
|   | LHAP<br>Reuse         | Employee<br>Benefits | LMI              |
| RECEIPTS:   |                       |                      |                  |
| Property tax .....  |                       | \$319,808            |                  |
| Other city taxes .....  |                       | 9,917                |                  |
| Use of money and property .....                               | \$ 201                | 112                  | \$ 703           |
| Intergovernmental .....                                       |                       |                      |                  |
| TOTAL RECEIPTS  | <u>201</u>            | <u>329,837</u>       | <u>703</u>       |
| DISBURSEMENTS:  |                       |                      |                  |
| Public safety .....   |                       | 235,689              |                  |
| Public works .....  |                       | 148,997              |                  |
| Culture and recreation .....                                  |                       | 64,652               |                  |
| Community and economic development .....                      | 10,000                |                      |                  |
| General government .....                                      |                       | 23,307               |                  |
| TOTAL DISBURSEMENTS   | <u>10,000</u>         | <u>472,645</u>       |                  |
| EXCESS (DEFICIENCY) OF RECEIPTS OVER<br>(UNDER) DISBURSEMENTS | (9,799)               | (142,808)            | 703              |
| OTHER FINANCING SOURCES:                                      |                       |                      |                  |
| Operating transfers in .....                                  |                       | 156,166              |                  |
| NET CHANGE IN CASH BALANCES                                   | (9,799)               | 13,358               | 703              |
| CASH BALANCES - BEGINNING OF YEAR .....                       | <u>47,067</u>         | <u>42,347</u>        | <u>80,202</u>    |
| CASH BALANCES - END OF YEAR                                   | <u>\$ 37,268</u>      | <u>\$ 55,705</u>     | <u>\$ 80,905</u> |
| CASH BASIS FUND BALANCES:                                     |                       |                      |                  |
| Restricted for:   |                       |                      |                  |
| Community and economic development .....                      | \$ 37,268             |                      | \$ 80,905        |
| Employee benefits .....                                       |                       | \$ 55,705            |                  |
| Police purposes .....   |                       |                      |                  |
| Unassigned .....  |                       |                      |                  |
| TOTAL CASH BASIS FUND BALANCES                                | <u>\$ 37,268</u>      | <u>\$ 55,705</u>     | <u>\$ 80,905</u> |

Schedule 1

| <u>Special Revenue Funds</u> |                   |                     |                  |
|------------------------------|-------------------|---------------------|------------------|
| <u>Housing<br/>Rehab</u>     | <u>Seizure</u>    | <u>FEMA</u>         | <u>Total</u>     |
|                              |                   |                     | \$319,808        |
|                              |                   |                     | 9,917            |
|                              |                   |                     | 1,016            |
| <u>\$119,669</u>             | <u>          </u> | <u>\$ 29,107</u>    | <u>148,776</u>   |
| <u>119,669</u>               | <u>          </u> | <u>29,107</u>       | <u>479,517</u>   |
|                              | \$ 2,714          | 36,968              | 275,371          |
|                              |                   |                     | 148,997          |
|                              |                   |                     | 64,652           |
| 171,784                      |                   |                     | 181,784          |
|                              |                   |                     | 23,307           |
| <u>171,784</u>               | <u>2,714</u>      | <u>36,968</u>       | <u>694,111</u>   |
| (52,115)                     | (2,714)           | (7,861)             | (214,594)        |
| <u>          </u>            | <u>          </u> | <u>7,861</u>        | <u>164,027</u>   |
| (52,115)                     | (2,714)           |                     | (50,567)         |
| <u>31,239</u>                | <u>5,920</u>      | <u>          </u>   | <u>206,775</u>   |
| <u>\$ (20,876)</u>           | <u>\$ 3,206</u>   | <u>\$          </u> | <u>\$156,208</u> |
|                              |                   |                     | \$118,173        |
|                              |                   |                     | 55,705           |
|                              | \$ 3,206          |                     | 3,206            |
| <u>\$ (20,876)</u>           | <u>          </u> | <u>          </u>   | <u>(20,876)</u>  |
| <u>\$ (20,876)</u>           | <u>\$ 3,206</u>   | <u>\$          </u> | <u>\$156,208</u> |

CITY OF SHELDON  
SCHEDULE OF INDEBTEDNESS  
FOR THE YEAR ENDED JUNE 30, 2013

| <u>Obligation</u>  | <u>Date of Issue</u> | <u>Amount<br/>Interest<br/>Rates</u> | <u>Originally<br/>Issued</u> | <u>Final<br/>Due<br/>Date</u> |
|--|----------------------|--------------------------------------|------------------------------|-------------------------------|
| <u>GOVERNMENTAL ACTIVITIES:</u>                                  |                      |                                      |                              |                               |
| General Obligation Bonds/Notes:                                  |                      |                                      |                              |                               |
| Capital loan notes, series 2008                                  | 4-01-2008            | 3.20 - 3.65%                         | \$1,860,000                  | 6-01-2018                     |
| Taxable capital loan notes,<br>series 2011A                      | 1-31-2011            | 2.50 - 4.30%                         | 2,200,000                    | 6-01-2019                     |
| Capital loan notes, series 2011B                                 | 1-31-2011            | 3.10 - 3.60%                         | 1,020,000                    | 6-01-2021                     |
| Capital loan notes, series 2013                                  | 5-29-2013            | 0.30 - 1.90%                         | 5,350,000                    | 6-01-2024                     |
| Total General Obligation<br>Bonds/Notes                          |                      |                                      |                              |                               |
| Tax Increment Financing Bonds:                                   |                      |                                      |                              |                               |
| Urban renewal revenue annual<br>appropriation capital loan notes | 10-19-2007           | 4.25 - 4.75%                         | 3,045,000                    | 6-01-2020                     |
| Sales and Service Tax Bonds:                                     |                      |                                      |                              |                               |
| Refunding bonds  | 5-01-2003            | 4.15 - 4.30%                         | 1,415,000                    | 6-01-2015                     |
| Other Long-Term Debt:  |                      |                                      |                              |                               |
| USDA airport loan  | 6-06-2001            | 4.75%                                | 400,000                      | 6-05-2021                     |
| TOTAL GOVERNMENTAL ACTIVITIES                                    |                      |                                      |                              |                               |
| <u>BUSINESS TYPE ACTIVITIES:</u>                                 |                      |                                      |                              |                               |
| Revenue Notes:   |                      |                                      |                              |                               |
| Sewer revenue capital loan notes                                 | 9-15-1999            | 3.00%                                | \$ 814,000                   | 6-01-2020                     |
| Water revenue capital loan notes                                 | 3-25-2007            | 2.47%                                | 1,900,000                    | 6-01-2022                     |
| TOTAL BUSINESS TYPE ACTIVITIES                                   |                      |                                      |                              |                               |

## Schedule 2

| <u>Balance<br/>Beginning<br/>of Year</u> | <u>Issued<br/>During<br/>Year</u> | <u>Redeemed<br/>During<br/>Year</u> | <u>Balance<br/>End<br/>of Year</u> | <u>Interest<br/>Paid</u> |
|--|-----------------------------------|-------------------------------------|------------------------------------|--------------------------|
| \$ 795,000                               |                                   | \$120,000                           | \$ 675,000                         | \$ 26,935                |
| 2,200,000                                |                                   | 320,000                             | 1,880,000                          | 71,572                   |
| 1,020,000                                |                                   |                                     | 1,020,000                          | 34,658                   |
| <u>          </u>                        | <u>\$5,350,000</u>                | <u>          </u>                   | <u>5,350,000</u>                   | <u>          </u>        |
| <u>4,015,000</u>                         | <u>5,350,000</u>                  | <u>440,000</u>                      | <u>8,925,000</u>                   | <u>133,165</u>           |
| <br><u>2,195,000</u>                     | <br><u>          </u>             | <br><u>235,000</u>                  | <br><u>1,960,000</u>               | <br><u>98,525</u>        |
| <br><u>405,000</u>                       | <br><u>          </u>             | <br><u>130,000</u>                  | <br><u>275,000</u>                 | <br><u>16,822</u>        |
| <br><u>232,961</u>                       | <br><u>          </u>             | <br><u>21,363</u>                   | <br><u>211,598</u>                 | <br><u>11,065</u>        |
| <br><u>\$6,847,961</u>                   | <br><u>\$5,350,000</u>            | <br><u>\$826,363</u>                | <br><u>\$11,371,598</u>            | <br><u>\$259,577</u>     |
| <br><br><br>                             |                                   |                                     |                                    |                          |
| \$ 397,000                               |                                   | \$ 43,000                           | \$ 354,000                         | \$ 11,910                |
| 1,396,700                                |                                   | 113,584                             | 1,283,116                          | 33,806                   |
| <u>          </u>                        | <u>          </u>                 | <u>          </u>                   | <u>          </u>                  | <u>          </u>        |
| <u>\$1,793,700</u>                       | <u>\$          </u>               | <u>\$156,584</u>                    | <u>\$ 1,637,116</u>                | <u>\$ 45,716</u>         |

CITY OF SHELDON  
BOND AND NOTE MATURITIES  
JUNE 30, 2013

General Obligation Bonds/Notes

| Year<br>Ending<br>June 30, | Capital Loan Notes<br>Issued 4-1-2008 |                   | Taxable Capital Loan Notes<br>Issued 1-31-2011 |                     | Capital Loan Notes<br>Issued 1-31-2011 |                     |
|----------------------------|---------------------------------------|-------------------|--|---------------------|--|---------------------|
|                            | Interest<br>Rate                      | Amount            | Interest<br>Rate                               | Amount              | Interest<br>Rate                       | Amount              |
| 2014                       | 3.20%                                 | \$ 125,000        | 2.50%  | \$ 325,000          |  |                     |
| 2015                       | 3.35%                                 | 130,000           | 3.00%  | 330,000             |  |                     |
| 2016                       | 3.45%                                 | 135,000           | 3.50%  | 340,000             |  |                     |
| 2017                       | 3.55%                                 | 140,000           | 3.85%  | 355,000             |  |                     |
| 2018                       | 3.65%                                 | 145,000           | 4.10%  | 365,000             |  |                     |
| 2019                       |                                       |                   | 4.30%  | 165,000             | 3.10%                                  | \$ 215,000          |
| 2020                       |                                       |                   |  |                     | 3.35%                                  | 395,000             |
| 2021                       |                                       |                   |  |                     | 3.60%                                  | 410,000             |
| 2022                       |                                       |                   |  |                     |  |                     |
| 2023                       |                                       |                   |  |                     |  |                     |
| 2024                       |                                       |                   |  |                     |  |                     |
|                            |                                       | <u>\$ 675,000</u> |  | <u>\$ 1,880,000</u> |  | <u>\$ 1,020,000</u> |

| Year<br>Ending<br>June 30, | Capital Loan Notes<br>Issued 5-29-2013 |                     | General<br>Obligation<br>Total |
|----------------------------|--|---------------------|--------------------------------|
|                            | Interest<br>Rate                       | Amount              |                                |
| 2014                       | 0.30%                                  | \$ 135,000          | \$ 585,000                     |
| 2015                       | 0.40%                                  | 510,000             | 970,000                        |
| 2016                       | 0.50%                                  | 510,000             | 985,000                        |
| 2017                       | 0.60%                                  | 515,000             | 1,010,000                      |
| 2018                       | 1.00%                                  | 520,000             | 1,030,000                      |
| 2019                       | 0.90%                                  | 530,000             | 910,000                        |
| 2020                       | 1.05%                                  | 530,000             | 925,000                        |
| 2021                       | 1.25%                                  | 540,000             | 950,000                        |
| 2022                       | 1.50%                                  | 545,000             | 545,000                        |
| 2023                       | 1.75%                                  | 550,000             | 550,000                        |
| 2024                       | 1.90%                                  | 465,000             | 465,000                        |
|                            |  | <u>\$ 5,350,000</u> | <u>\$ 8,925,000</u>            |

See Accompanying Independent Auditors' Report

CITY OF SHELDON  
BOND AND NOTE MATURITIES - Continued  
JUNE 30, 2012

Other Governmental Activities Bonds/Notes

| Year<br>Ending<br>June 30, | Urban Renewal Revenue<br>Annual Appropriation<br>Capital Loan Notes<br>Issued 10-19-07 |                     | Sales and Service Tax<br>Refunding Bonds<br>Issued 5-1-2003 |                   | USDA Airport Loan<br>Issued 6-6-2001 |                   | Other<br>Governmental<br>Activities<br>Total |
|----------------------------|--|---------------------|---|-------------------|--------------------------------------|-------------------|--|
|                            | Interest<br>Rate   | Amount              | Interest<br>Rate  | Amount            | Interest<br>Rate                     | Amount            |  |
| 2014                       | 4.25%  | \$ 245,000          | 4.15%   | \$ 135,000        | 4.75%                                | \$ 22,377         | \$ 402,377                                   |
| 2015                       | 4.35%  | 255,000             | 4.30%   | 140,000           | 4.75%                                | 23,440            | 418,440                                      |
| 2016                       | 4.45%  | 265,000             |   |                   | 4.75%                                | 24,553            | 289,553                                      |
| 2017                       | 4.50%  | 280,000             |   |                   | 4.75%                                | 25,720            | 305,720                                      |
| 2018                       | 4.60%  | 290,000             |   |                   | 4.75%                                | 26,941            | 316,941                                      |
| 2019                       | 4.70%  | 305,000             |   |                   | 4.75%                                | 28,221            | 333,221                                      |
| 2020                       | 4.75%  | 320,000             |   |                   | 4.75%                                | 29,562            | 349,562                                      |
| 2021                       |  |                     |   |                   | 4.75%                                | 30,784            | 30,784                                       |
|                            |  | <u>\$ 1,960,000</u> |   | <u>\$ 275,000</u> |                                      | <u>\$ 211,598</u> | <u>\$ 2,446,598</u>                          |

Revenue Notes

| Year<br>Ending<br>June 30, | Water Revenue<br>Capital Loan Notes<br>Issued 3-25-2007 |                     | Sewer Revenue<br>Capital Loan Notes<br>Issued 9-15-1999 |                   | Revenue<br>Notes<br>Total |
|----------------------------|---|---------------------|---|-------------------|---------------------------|
|                            | Interest<br>Rate  | Amount              | Interest<br>Rate  | Amount            |                           |
| 2014                       | 2.47%   | \$ 118,754          | 3.00%   | \$ 45,000         | \$ 163,754                |
| 2015                       | 2.47%   | 124,266             | 3.00%   | 47,000            | 171,266                   |
| 2016                       | 2.47%   | 129,963             | 3.00%   | 49,000            | 178,963                   |
| 2017                       | 2.47%   | 136,138             | 3.00%   | 50,000            | 186,138                   |
| 2018                       | 2.47%   | 142,390             | 3.00%   | 52,000            | 194,390                   |
| 2019                       | 2.47%   | 149,001             | 3.00%   | 54,000            | 203,001                   |
| 2020                       | 2.47%   | 155,888             | 3.00%   | 57,000            | 212,888                   |
| 2021                       | 2.47%   | 161,180             |   |                   | 161,180                   |
| 2022                       | 2.47%   | 165,536             |   |                   | 165,536                   |
|                            |   | <u>\$ 1,283,116</u> |   | <u>\$ 354,000</u> | <u>\$ 1,637,116</u>       |

See Accompanying Independent Auditors' Report

## OTHER INFORMATION

CITY OF SHELDON  
BUDGETARY COMPARISON SCHEDULE OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN BALANCES - BUDGET AND ACTUAL (CASH BASIS) -  
ALL GOVERNMENTAL AND PROPRIETARY FUNDS  
OTHER INFORMATION  
FOR THE YEAR ENDED JUNE 30, 2013

|   | Governmental<br>Funds<br><u>Actual</u> | Proprietary<br>Funds<br><u>Actual</u> | Total<br><u>Actual</u> |
|---|--|---------------------------------------|------------------------|
| RECEIPTS:   |  |                                       |                        |
| Property taxes .....  | \$1,432,048                            |                                       | \$ 1,432,048           |
| Other city taxes .....  | 701,949                                |                                       | 701,949                |
| Tax increment financing revenues .....  | 1,839,228                              |                                       | 1,839,228              |
| Licenses and permits .....  | 12,447                                 |                                       | 12,447                 |
| Use of money and property .....   | 117,492                                | \$ 15,359                             | 132,851                |
| Intergovernmental .....   | 854,341                                |                                       | 854,341                |
| Charges for services .....  | 395,800                                | 2,088,943                             | 2,484,743              |
| Special assessments .....   | 2,227                                  |                                       | 2,227                  |
| Miscellaneous .....   | <u>168,519</u>                         | <u>129,723</u>                        | <u>298,242</u>         |
| TOTAL RECEIPTS  | <u>5,524,051</u>                       | <u>2,234,025</u>                      | <u>7,758,076</u>       |
| DISBURSEMENTS:  |  |                                       |                        |
| Public safety .....   | 1,128,661                              |                                       | 1,128,661              |
| Public works .....  | 1,013,510                              |                                       | 1,013,510              |
| Health and social services .....  | 16,500                                 |                                       | 16,500                 |
| Culture and recreation .....  | 503,533                                |                                       | 503,533                |
| Community and economic development .....  | 501,782                                |                                       | 501,782                |
| General government .....  | 423,095                                |                                       | 423,095                |
| Debt service .....  | 1,088,690                              |                                       | 1,088,690              |
| Capital projects .....  | 1,390,607                              |                                       | 1,390,607              |
| Business-type activities .....  |  | 1,621,099                             | 1,621,099              |
| Non-program .....   |  | <u>510,535</u>                        | <u>510,535</u>         |
| TOTAL DISBURSEMENTS   | <u>6,066,378</u>                       | <u>2,131,634</u>                      | <u>8,198,012</u>       |
| EXCESS (DEFICIENCY) OF RECEIPTS OVER<br>(UNDER) DISBURSEMENTS                                       | <u>(542,327)</u>                       | <u>102,391</u>                        | <u>(439,936)</u>       |
| OTHER FINANCING SOURCES (USES):   |  |                                       |                        |
| Operating transfer in .....   | 5,470,116                              | 626,500                               | 6,096,616              |
| Operating transfer out .....  | (5,975,282)                            | (121,334)                             | (6,096,616)            |
| Bond proceeds - net .....   | 5,274,620                              |                                       | 5,274,620              |
| Proceeds - sale of assets .....   | <u>39,326</u>                          |                                       | <u>39,326</u>          |
| TOTAL OTHER FINANCING<br>SOURCES (USES)   | <u>4,808,780</u>                       | <u>505,166</u>                        | <u>5,313,946</u>       |
| EXCESS (DEFICIENCY) OF RECEIPTS AND<br>OTHER FINANCING SOURCES (USES) OVER<br>(UNDER) DISBURSEMENTS | 4,266,453                              | 607,557                               | 4,874,010              |
| BALANCE - BEGINNING OF YEAR .....   | <u>3,231,910</u>                       | <u>2,130,751</u>                      | <u>5,362,661</u>       |
| BALANCE - END OF YEAR   | <u>\$7,498,363</u>                     | <u>\$2,738,308</u>                    | <u>\$10,236,671</u>    |



## Schedule 4

| Less<br>Funds Not<br>Required<br>to be<br>Budgeted | Net<br>Actual      | Original<br>Budget  | Final<br>Budget     | Final to<br>Actual<br>Variance |
|--|--------------------|---------------------|---------------------|--------------------------------|
|  | \$1,432,048        | \$ 1,424,050        | \$ 1,424,050        | \$ 7,998                       |
|  | 701,949            | 668,237             | 688,237             | 13,712                         |
|  | 1,839,228          | 1,880,142           | 1,880,142           | (40,914)                       |
|  | 12,447             | 12,000              | 12,000              | 447                            |
| \$ 4,433   | 128,418            | 125,650             | 125,650             | 2,768                          |
|  | 854,341            | 2,008,474           | 1,219,087           | (364,746)                      |
| 468,960  | 2,015,783          | 1,987,825           | 1,987,825           | 27,958                         |
|  | 2,227              | 1,000               | 1,000               | 1,227                          |
| <u>101,007</u>                                     | <u>197,235</u>     | <u>794,023</u>      | <u>925,993</u>      | <u>(728,758)</u>               |
| <u>574,400</u>                                     | <u>7,183,676</u>   | <u>8,901,401</u>    | <u>8,263,984</u>    | <u>(1,080,308)</u>             |
|  | 1,128,661          | 1,093,473           | 1,159,441           | 30,780                         |
|  | 1,013,510          | 1,460,833           | 1,160,833           | 147,323                        |
|  | 16,500             | 18,500              | 18,500              | 2,000                          |
|  | 503,533            | 588,427             | 588,427             | 84,894                         |
|  | 501,782            | 439,446             | 540,473             | 38,691                         |
|  | 423,095            | 418,804             | 430,304             | 7,209                          |
|  | 1,088,690          | 1,158,891           | 1,158,891           | 70,201                         |
|  | 1,390,607          | 3,501,000           | 1,403,000           | 12,393                         |
|  | 1,621,099          | 2,313,648           | 2,313,648           | 692,549                        |
| <u>510,535</u>                                     | <u>7,687,477</u>   | <u>10,993,022</u>   | <u>8,773,517</u>    | <u>1,086,040</u>               |
| <u>510,535</u>                                     | <u>7,687,477</u>   | <u>10,993,022</u>   | <u>8,773,517</u>    | <u>1,086,040</u>               |
| <u>63,865</u>                                      | <u>(503,801)</u>   | <u>(2,091,621)</u>  | <u>(509,533)</u>    | <u>5,732</u>                   |
|  | 6,096,616          | 3,401,419           | 3,401,419           | 2,695,197                      |
| (75,000)   | (6,021,616)        | (3,401,419)         | (3,401,419)         | (2,620,197)                    |
|  | 5,274,620          | 1,336,500           | 5,360,000           | (85,380)                       |
|  | 39,326             | 96,000              | 96,000              | (56,674)                       |
| <u>(75,000)</u>                                    | <u>5,388,946</u>   | <u>1,432,500</u>    | <u>5,456,000</u>    | <u>(67,054)</u>                |
|  |                    |                     |                     |                                |
| (11,135)   | 4,885,145          | (659,121)           | 4,946,467           | (61,322)                       |
| <u>472,756</u>                                     | <u>4,889,905</u>   | <u>4,621,612</u>    | <u>4,621,612</u>    | <u>268,293</u>                 |
| <u>\$461,621</u>                                   | <u>\$9,775,050</u> | <u>\$ 3,962,491</u> | <u>\$ 9,568,079</u> | <u>\$ 206,971</u>              |

CITY OF SHELDON  
NOTES TO SCHEDULE 4 - BUDGETARY REPORTING  
FOR THE YEAR ENDED JUNE 30, 2013

The budgetary comparison is presented in accordance with Government Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund or fund type. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, and business-type activities. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Funds, and Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment decreased budgeted disbursements by \$2,219,505. This budget amendment is reflected in the final budgeted amounts.

CITY OF SHELDON  
SCHEDULE OF RECEIPTS BY SOURCE AND DISBURSEMENTS BY FUNCTION -  
ALL GOVERNMENTAL FUNDS  
FOR THE LAST NINE YEARS

|   | <u>2013</u>            | <u>2012</u>            | <u>2011</u>            | <u>2010</u>            |
|---|------------------------|------------------------|------------------------|------------------------|
| RECEIPTS:                                   |                        |                        |                        |                        |
| Property tax .....                          | \$1,432,048            | \$1,369,670            | \$1,204,482            | \$1,129,515            |
| Tax increment financing .....               | 1,839,228              | 1,750,174              | 2,215,974              | 2,063,537              |
| Other City taxes .....                      | 701,949                | 681,333                | 638,549                | 526,941                |
| Licenses and permits .....                  | 12,447                 | 12,173                 | 11,975                 | 11,739                 |
| Use of money and property .....             | 117,492                | 114,330                | 117,228                | 120,068                |
| Intergovernmental .....                     | 854,341                | 929,224                | 705,140                | 960,474                |
| Charges for services .....                  | 395,800                | 377,538                | 395,888                | 540,672                |
| Special assessments .....                   | 2,227                  | 401                    | 14,998                 |                        |
| Miscellaneous .....                         | <u>168,519</u>         | <u>257,097</u>         | <u>125,529</u>         | <u>251,783</u>         |
| <br>TOTAL RECEIPTS                          | <br><u>\$5,524,051</u> | <br><u>\$5,491,940</u> | <br><u>\$5,429,763</u> | <br><u>\$5,604,729</u> |
| <br>DISBURSEMENTS:                          |                        |                        |                        |                        |
| Public safety .....                         | \$1,128,661            | \$1,116,261            | \$ 831,273             | \$1,003,796            |
| Public works .....                          | 1,013,510              | 706,086                | 880,355                | 1,199,692              |
| Health and social services .....            | 16,500                 | 15,500                 | 15,500                 | 15,500                 |
| Culture and recreation .....                | 503,533                | 527,914                | 464,512                | 492,326                |
| Community and economic<br>development ..... | 501,782                | 388,552                | 356,868                | 453,534                |
| General government .....                    | 423,095                | 332,493                | 342,258                | 374,716                |
| Debt service .....                          | 1,088,690              | 971,366                | 881,645                | 1,586,968              |
| Capital projects .....                      | <u>1,390,607</u>       | <u>2,435,130</u>       | <u>3,370,859</u>       | <u>1,091,594</u>       |
| <br>TOTAL DISBURSEMENTS                     | <br><u>\$6,066,378</u> | <br><u>\$6,493,302</u> | <br><u>\$7,143,270</u> | <br><u>\$6,218,126</u> |

## Schedule 5

| <u>2009</u>        | <u>2008</u>        | <u>2007</u>        | <u>2006</u>        | <u>2005</u>        |
|--------------------|--------------------|--------------------|--------------------|--------------------|
| \$1,101,847        | \$1,000,580        | \$1,088,289        | \$1,163,190        | \$1,380,145        |
| 1,849,357          | 1,381,795          | 1,215,979          | 1,146,197          | 1,010,582          |
| 683,965            | 591,117            | 519,010            | 455,606            | 461,224            |
| 10,757             | 11,838             | 41,560             | 10,685             | 10,473             |
| 159,167            | 204,717            | 143,511            | 123,571            | 104,066            |
| 512,412            | 1,242,981          | 1,380,683          | 520,969            | 620,081            |
| 626,339            | 490,988            | 480,405            | 476,627            | 467,448            |
| 1,815              | 109                | 833                | 653                | 3,920              |
| <u>164,289</u>     | <u>218,222</u>     | <u>238,533</u>     | <u>126,546</u>     | <u>73,485</u>      |
| <u>\$5,109,948</u> | <u>\$5,142,347</u> | <u>\$5,108,803</u> | <u>\$4,024,044</u> | <u>\$4,131,424</u> |
|                    |                    |                    |                    |                    |
| \$ 964,191         | \$ 765,503         | \$1,011,219        | \$ 668,867         | \$ 675,878         |
| 955,752            | 1,193,661          | 862,975            | 811,163            | 794,134            |
| 15,500             |                    |                    |                    |                    |
| 532,690            | 371,462            | 500,724            | 428,609            | 385,817            |
| 368,431            | 309,073            | 837,469            | 146,387            | 161,755            |
| 324,849            | 318,461            | 337,527            | 319,084            | 521,762            |
| 1,128,038          | 1,340,354          | 699,461            | 781,458            | 1,166,454          |
| <u>1,951,447</u>   | <u>3,441,879</u>   | <u>1,007,943</u>   | <u>824,432</u>     | <u>1,672,003</u>   |
| <u>\$6,240,898</u> | <u>\$7,740,393</u> | <u>\$5,257,318</u> | <u>\$3,980,000</u> | <u>\$5,377,803</u> |

CITY OF SHELDON  
CAPITAL ASSETS ACTIVITY  
FOR THE YEAR ENDED JUNE 30, 2013

|   | Balance<br>Beginning<br>of Year | Additions          | Deletions           | Balance<br>End<br>of Year |
|---|---------------------------------|--------------------|---------------------|---------------------------|
| GOVERNMENTAL ACTIVITIES                         |                                 |                    |                     |                           |
| COST OF CAPITAL ASSETS:                         |                                 |                    |                     |                           |
| Capital assets not being depreciated:           |                                 |                    |                     |                           |
| Construction in progress .....                  | \$ 1,540,205                    | \$ (214,677)       |                     | \$ 1,325,528              |
| Land .....                                      | <u>406,000</u>                  | <u>          </u>  | <u>          </u>   | <u>406,000</u>            |
| Total capital assets<br>not being depreciated   | <u>1,946,205</u>                | <u>(214,677)</u>   | <u>          </u>   | <u>1,731,528</u>          |
| Capital assets being depreciated:               |                                 |                    |                     |                           |
| Buildings and improvements .....                | 5,409,014                       | 76,554             |                     | 5,485,568                 |
| Aquatic Center .....                            | 2,731,883                       |                    |                     | 2,731,883                 |
| Equipment and vehicles .....                    | 3,446,471                       | 349,073            | \$ (35,129)         | 3,760,415                 |
| Infrastructure .....                            | <u>10,483,232</u>               | <u>1,718,867</u>   | <u>          </u>   | <u>12,202,099</u>         |
| Total capital assets being<br>depreciated       | <u>22,070,600</u>               | <u>2,144,494</u>   | <u>(35,129)</u>     | <u>24,179,965</u>         |
| TOTAL COST OF CAPITAL ASSETS                    | <u>24,016,805</u>               | <u>1,929,817</u>   | <u>(35,129)</u>     | <u>25,911,493</u>         |
| ACCUMULATED DEPRECIATION:                       |                                 |                    |                     |                           |
| Building and improvements .....                 | 1,973,606                       | 131,670            |                     | 2,105,276                 |
| Aquatic Center .....                            | 427,995                         | 109,275            |                     | 537,270                   |
| Equipment and vehicles .....                    | 2,075,194                       | 211,136            | (35,129)            | 2,251,201                 |
| Infrastructure .....                            | <u>4,997,898</u>                | <u>374,074</u>     | <u>          </u>   | <u>5,371,972</u>          |
| TOTAL ACCUMULATED<br>DEPRECIATION               | <u>9,474,693</u>                | <u>826,155</u>     | <u>(35,129)</u>     | <u>10,265,719</u>         |
| GOVERNMENTAL ACTIVITIES<br>CAPITAL ASSETS - NET | <u>\$14,542,112</u>             | <u>\$1,103,662</u> | <u>\$          </u> | <u>\$15,645,774</u>       |

CITY OF SHELDON  
CAPITAL ASSETS ACTIVITY - Continued  
FOR THE YEAR ENDED JUNE 30, 2013

|   | Balance<br>Beginning<br>of Year | Additions           | Deletions | Balance<br>End<br>of Year |
|---|---------------------------------|---------------------|-----------|---------------------------|
| BUSINESS TYPE ACTIVITIES                      |                                 |                     |           |                           |
| COST OF CAPITAL ASSETS:                       |                                 |                     |           |                           |
| Capital assets not being depreciated:         |                                 |                     |           |                           |
| Construction in progress .....                |                                 | \$ 34,207           |           | \$ 34,207                 |
| Land .....                                    | \$ 84,390                       |                     |           | 84,390                    |
| Lewis and Clark water rights .....            | 2,559,634                       |                     |           | 2,559,634                 |
| Total capital assets<br>not being depreciated | <u>2,644,024</u>                | <u>34,207</u>       |           | <u>2,678,231</u>          |
| Capital assets being depreciated:             |                                 |                     |           |                           |
| Water and sewer plants .....                  | 5,012,569                       | 22,327              |           | 5,034,896                 |
| Equipment and vehicles .....                  | 1,043,028                       | 25,667              |           | 1,068,695                 |
| Infrastructure .....                          | 5,871,474                       | 68,871              |           | 5,940,345                 |
| Total capital assets being<br>depreciated     | <u>11,927,071</u>               | <u>116,865</u>      |           | <u>12,043,936</u>         |
| TOTAL COST OF CAPITAL ASSETS                  | <u>14,571,095</u>               | <u>151,072</u>      |           | <u>14,722,167</u>         |
| ACCUMULATED DEPRECIATION:                     |                                 |                     |           |                           |
| Water and sewer plants .....                  | 3,477,518                       | 107,754             |           | 3,585,272                 |
| Equipment and vehicles .....                  | 694,713                         | 67,473              |           | 762,186                   |
| Infrastructure .....                          | 1,858,297                       | 148,079             |           | 2,006,376                 |
| TOTAL ACCUMULATED<br>DEPRECIATION             | <u>6,030,528</u>                | <u>323,306</u>      |           | <u>6,353,834</u>          |
| BUSINESS-TYPE ACTIVITIES                      |                                 |                     |           |                           |
| CAPITAL ASSETS - NET                          | <u>\$ 8,540,567</u>             | <u>\$ (172,234)</u> | <u>\$</u> | <u>\$ 8,368,333</u>       |
| Cost of loan fees .....                       | \$ 8,750                        |                     |           | \$ 8,750                  |
| Less - accumulated depreciation .....         | <u>5,615</u>                    | <u>\$ 437</u>       |           | <u>6,052</u>              |
| LOAN FEES - NET                               | <u>\$ 3,135</u>                 | <u>\$ (437)</u>     | <u>\$</u> | <u>\$ 2,698</u>           |

**WINTHER, STAVE & CO., LLP**  
*Certified Public Accountants*

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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS

The Honorable Mayor and  
Members of the City Council  
City of Sheldon  
Sheldon, IA 51201

We have audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Sheldon, Iowa, as of and for the year ended June 30, 2013, and the related notes to financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 31, 2013. Our report expressed unmodified opinions on the financial statements which were prepared on the basis of cash receipts and disbursements, a basis of accounting other than accounting principles generally accepted in the United States of America.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the City's financial statements will not be prevented, or detected and corrected on a timely basis.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

We did not identify any deficiencies in internal control that we consider to be material weaknesses or significant deficiencies.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2013 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

### **City's Responses to Findings**

The City's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. The City's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

*Winter, Stave + Co., LLP*

December 31, 2013



CITY OF SHELDON  
SCHEDULE OF FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2013

**Part I: Findings Related to the Financial Statements**

**Internal control over Financial Reporting:**

No findings were noted.

**Instances of Non-Compliance:**

No findings were noted.

CITY OF SHELDON  
SCHEDULE OF FINDINGS - Continued  
FOR THE YEAR ENDED JUNE 30, 2013

**Part II: Other Findings Related to Required Statutory Reporting**

13-II-A Certified Budget - Disbursements during the year ended June 30, 2013 did not exceed the amounts budgeted.

13-II-B Questionable Expenditures - We noted no expenditures that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

13-II-C Travel Expense - No expenditures of City money for travel expenses of spouses of City officials or employees were noted.

13-II-D Business Transactions - Business transactions between the City and City officials or employees are detailed as follows:

| <u>Name, Title, and<br/>Business Connection</u>                                  | <u>Transaction<br/>Description</u> | <u>Amount</u> |
|--|------------------------------------|---------------|
| Ron Rensink, Council Member,<br>Owner of Perspective Insurance                   | Insurance                          | \$119,350     |
| Duane Seehusen, Council Member,<br>Owner of Sheldon Veterinary<br>Medical Center | Boarding animals                   | 2,049         |
| Brad Hindt, Council Member,<br>Owner of Downtown Hardware                        | Supplies                           | 3,697         |
| Dave Popkes, Council Member,<br>Owner Dave's Appliance                           | Repairs                            | 52            |
| Greg Geels, Council Member,<br>Owner of Vogel Paint and Glass, Inc.              | Supplies                           | 964           |

The transactions with Mr. Popkes and Mr. Geels do not appear to be a conflict of interest since the total paid to each individual was less than \$1,500.

The transactions with Mr. Rensink do not appear to be a conflict of interest since they relate primarily to payment on the City's Iowa Community Assurance Pool (ICAP) insurance policy. The contract with ICAP was signed prior to Mr. Rensink being a council member and is therefore an exception under Chapter 362.5(7) of the Code of Iowa.

The transactions with Mr. Hindt and Mr. Seehusen may represent a conflict of interest since the total paid to their businesses was more than \$1,500 and competitive bidding was not utilized.

CITY OF SHELDON  
SCHEDULE OF FINDINGS - Continued  
FOR THE YEAR ENDED JUNE 30, 2013

**Part II: Other Findings Related to Required Statutory Reporting** - Continued

13-II-D Business Transactions - continued

Recommendation - The City should use the competitive bidding process when practical.

Response - These transactions were for normal expenses. The City will monitor spending and use competitive bidding when practical.

Conclusion - Response accepted.

13-II-E Bond Coverage - Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

13-II-F Council Minutes - No transactions were found that we believe should have been approved in the Council minutes but were not.

13-II-G Deposits and Investments - No instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy were noted.

13-II-H Revenue Notes - No noncompliance with revenue note provisions were noted.

13-II-I Urban Renewal Annual Report - The urban renewal annual report for the fiscal year ended June 30, 2012 was approved and certified to the Iowa Department of Management on or before December 1, 2012. The reserve fund required by the TIF capital loan notes issued October 19, 2007 was not included in the TIF cash balance as of June 30, 2012. This reserve fund can only be used to pay the principal and interest on the notes. Therefore, this fund should have been included with the TIF cash balance. The result of this error is that the TIF cash balance was understated by \$330,598.

Recommendation - The City should include the cash balance of the reserve fund in the TIF cash balance.

Response - This will be corrected on future reports.

Conclusion - Response accepted.

CITY OF SHELDON  
SCHEDULE OF FINDINGS - Continued  
FOR THE YEAR ENDED JUNE 30, 2013

**Part II: Other Findings Related to Required Statutory Reporting** - Continued

- 13-II-J Tax Increment Financing (TIF) Certification - We noted that the City certified to the County, the total amount of principal and interest on the TIF capital loan notes when they were issued. The notes are annual appropriation bonds. Accordingly, only the portion appropriated each year should be certified as TIF debt.

Recommendation - The City should only certify the amount of annual appropriation debt which has been appropriated for the year. The City should consult with TIF legal counsel to determine the amount of debt to be decertified, if any.

Response - The City will follow this recommendation.

Conclusion - Response accepted.

- 13-II-K Economic Development - We noted that the City paid the Sheldon Chamber and Development Corporation (SCDC) \$40,000 from tax increment financing revenues, \$86,976 from hotel/motel tax, and \$10,000 from local option sales tax.

In addition, we noted that the City paid the O'Brien County Economic Development Corporation \$5,811 from tax increment financing revenues.

It appears the City properly evaluated the public purpose and requires documentation of how the funds were used.